

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a blue rectangular background.

Edmonton

A vertical photograph on the left side of the page showing the Edmonton skyline at night. The Peace Bridge is illuminated with blue lights, and the city buildings are lit up against a dark sky.

City of Edmonton

## Q4 2023 Economic Update

**City of Edmonton Corporate Economics**

Felicia Mutheardy, Corporate Economist  
Financial and Corporate Services  
(780) 496-6144

Wade Sebastian-Tymchak, Senior Economist  
Financial and Corporate Services  
(780) 508-4062

**For media inquiries:**

Matt Pretty, Communications Advisor  
(780) 886-7552

### *Fall 2023 Economic Outlook*

Through the first three quarters of 2023, the Edmonton and census metropolitan area (CMA) economies were resilient in the face of persistently elevated inflation and high interest rates. This resilience was likely bolstered by continued strong population growth. These factors were taken into consideration in the City of Edmonton's fall long-term economic outlook, which was finalized in early November 2023. Highlights from the fall outlook<sup>1</sup> are as follows:

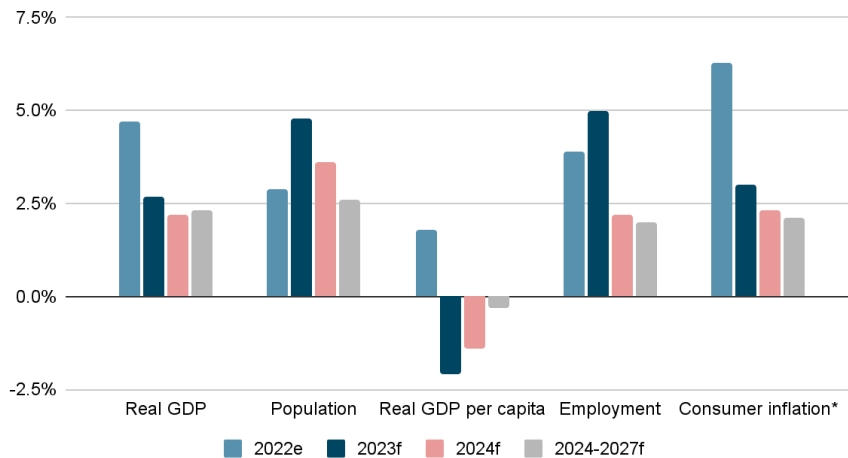
- After growing an estimated 4.7 per cent in 2022, real gross domestic product (GDP) growth in Edmonton is forecast to have moderated in 2023 (+2.7 per cent), but more gradually than in the spring update. The moderation is expected to continue into 2024 with a 2.2 per cent growth forecast. Growth is anticipated to average 2.3 per cent annually between 2024 and 2027. Among industry sectors, real GDP growth is forecast to be strongest in construction, educational services, and business, building and other support services in 2024.
- Reports on quarterly population estimates and the components of population change at the national and provincial levels since the end of 2022 suggest that migration inflows for Edmonton and the CMA may be stronger than the spring 2023 outlook forecast. As a result, population growth and net migration forecasts for Edmonton and the CMA were revised upward. Population growth over the 2024-2027 period is forecast to average 2.6 per cent annually in Edmonton and 2.5 per cent in the CMA.
- Edmonton's real GDP is forecast to have grown almost three per cent in 2023 and expected to exceed two per cent growth annually through 2027. On a per capita basis, however, real GDP is forecast to have declined over two per cent in 2023, with the expectation it will contract further in 2024 and hold steady between 2025 and 2027, reflecting the role population growth is playing in aggregate demand, compensating for a softening in investment and individual household demand.
- Higher net migration has the potential to bring more balance to the labour market by increasing the supply of available labour, and addressing persistent hiring challenges faced by employers. However, with such strong in-flows of migration, employment growth in 2024 is not expected to match labour force growth in the Edmonton CMA, though the two variables are forecast to move closely together and trend in the same direction over the 2024-2027 period, keeping the unemployment rate within a 6.0-6.5 per cent range.
- Consumer inflation in the CMA over the first 10 months of 2023 moderated more than anticipated in the spring 2023 outlook. This moderation was reflected in the fall outlook with a lowering of the 2023 consumer inflation forecast from 3.7 per cent to

---

<sup>1</sup> The 2023 fall outlook summary tables are available through [edmonton.ca](https://www.edmonton.ca).

3.0 per cent. Between 2024 and 2027, consumer inflation is forecast to average 2.1 per cent.

Growth Forecast, Select Indicators - Edmonton



Sources: Statistics Canada, Alberta Treasury Board and Finance, City of Edmonton, and Stokes Economics; Note: "e" = estimate; "f" = forecast; \* signifies an Edmonton CMA-level indicator.

### Overview

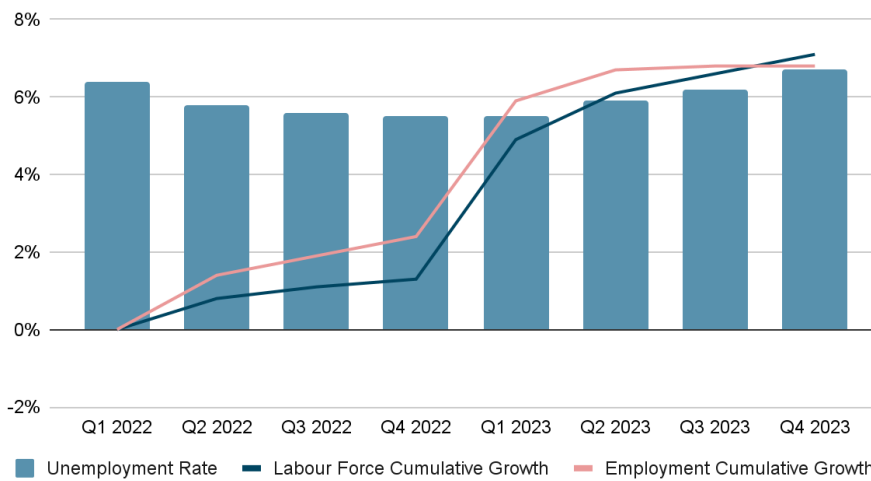
Robust population growth, driven by high net migration, buoyed the Edmonton and CMA economies in 2023, but the impact of an extended period of inflation and a dramatic rise in interest rates really materialized in the second half of the year with sluggish growth in retail sales, a softening labour market, and a delayed response to an influx of housing demand from new home construction. Household finances are being strained which, coupled with much higher construction costs, has dampened residential construction. Looking at quarterly population data for Alberta as a guide, the inflow of new residents to Edmonton and the CMA was likely driven by a surge in international and interprovincial migration. Over the last two years, a significant portion of population growth in the province has been from the arrival of non-permanent residents, which includes international students and temporary foreign workers. Between Q3 and Q4 2023, the net inflow of non-permanent international migrants into Alberta reached almost 30,000 people, nearly four times than the highest quarterly net inflow seen between 2010 and 2022 and more than 1.5 times the net inflow from interprovincial migrants between Q3 and Q4 2023. This suggests continued population growth in Edmonton and the CMA between 2023 and 2024. In general, population growth should boost demand and help to ease any persistent imbalances in the labour market, depending on how well labour skills match business needs. In the short-term, this growth will continue to put pressure on housing demand, services, and infrastructure

given its exceptional pace. Details of developments in the Edmonton CMA labour market, inflation, and residential construction in Q4 2023 and 2023 as a whole are provided below.

*Labour Market*

On a seasonally adjusted basis, quarter-over-quarter employment growth, opened 2023 at almost 3.5 per cent, but slowed throughout the year, with growth disappearing to close 2023. With the working age population and labour force continuing to grow, this left the unemployment rate at 6.7 per cent to close out 2023, the highest level in more than two years, and higher than all but five other CMAs. The brunt of this labour market softening was borne by the goods sector, which saw year-to-date employment relative to 2022 deteriorate from 13 per cent growth in Q1 to a 1.8 per cent contraction in Q4. The construction sector was the biggest contributor to this decline, as activity softened for both residential and non-residential building construction. Services saw annual employment growth of seven per cent in 2023, although year-to-date growth slowed after Q2 in more than half of the 11 services sectors. These sectors combined represented almost 60 per cent of services employment in 2023.

Labour Market Indicators - Edmonton CMA



Source: Statistics Canada, seasonally adjusted

Overall, the Edmonton CMA labour market was encouragingly resilient in 2023 in the face of a population surge that pushed its working age population growth to a rate that topped all other major centres in Canada. A large share of new job seekers found opportunities in the Edmonton CMA, despite headwinds to economic growth from elevated consumer inflation reducing household consumption and interest rates—higher than at any point in more than 20 years—weighing on business confidence. On an annual basis, Edmonton CMA labour

force (+5.4 per cent) and employment (+5.1 per cent) growth moved closely together in 2023, leaving the unemployment rate (6.1 per cent) only slightly higher than 2022.

The fall 2023 outlook for the Edmonton CMA was revised to reflect the persistent strength in employment and labour force growth, but also their emerging divergence, with the 2023 unemployment rate revised higher to 6.3 per cent, slightly higher than what actually materialized. The outlook for 2024 forecasts a continuation of strong population growth, translating into further labour force growth in the CMA. Employment is also expected to see additional expansion, but with more modest growth than the labour force. The annual unemployment rate is expected to rise to 6.5 per cent.

### *Consumer Inflation*

Annual average inflation for 2022 (+6.3 per cent) was the highest observed in the Edmonton CMA in 40 years. Annualized inflation, though, started moderating by July 2022, and 2023 saw that trend continue. Edmonton CMA annualized inflation<sup>2</sup> dropped below two per cent for the first time in over two years in June 2023. This helped to bring annual average inflation in the Edmonton CMA to 2.8 per cent in 2023, the slowest growth across the 16 CMAs tracked by Statistics Canada and slightly slower growth than forecasted in the fall outlook. In Q4 2023 alone, the Consumer Price Index (CPI) in the Edmonton CMA fell 0.7 per cent quarter-over-quarter. Despite these improvements, there has not been any meaningful deflation across components of the CPI at the Edmonton CMA or provincial level relative to 2021, leaving households still managing elevated prices across almost all goods and services. In the Edmonton CMA, specifically, where shelter CPI data is available, 2023 actually saw rented accommodation inflation accelerate through November. Reflecting the pressures from a rapid surge in population, both owned and rented accommodation annualized inflation closed 2023 in excess of 6.5 per cent.

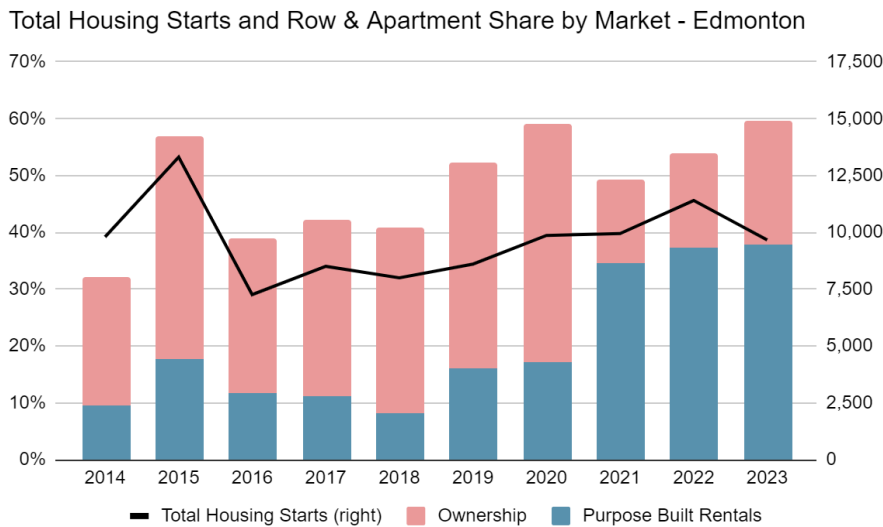
Shelter wasn't the only component of the CPI that continued to see exceptional growth. Based on the Alberta CPI, for which more detailed data is available, the food (+5.1 per cent) and health and personal care (+4.2 per cent) categories both also closed 2023 with high annualized inflation. While consumer inflation is expected to continue moderating in 2024, averaging 2.3 per cent for the year, uncertainty surrounding energy and food prices, and the continuation of strong housing demand potentially pushing accommodation prices higher, pose risks to the inflation outlook. Additionally, the gradual reinstatement of the provincial government's 13-cent-per-litre fuel tax in 2024 has the potential to add to inflation.

---

<sup>2</sup> As measured by the year-over-year per cent change in Statistics Canada's Consumer Price Index.

*Residential construction*

Challenged by construction prices that had climbed over 50 per cent since 2020 and buyers facing higher borrowing costs and strained household finances, residential construction in Edmonton was markedly weaker than the previous year for most of 2023. A decline of almost 30 per cent in single-family starts drove total starts in Edmonton down nearly 15 per cent in 2023, with only row housing seeing an increase in activity (+17 per cent). A surge in starts at the end of the year softened the decline, which projects optimism for 2024. Potentially assisted by unseasonably warm weather, total housing starts versus the same month in 2022 were over 80 per cent higher in November 2023 and almost 125 per cent higher in December as they hit a monthly high for the year, a first for December going back to at least 1990. Starts for apartments led the surge, but all housing types (except semi-detached) saw starts in both November and December higher than the monthly averages over January to October 2023. Single-detached and apartment starts set monthly highs for the year in December 2023. With realized housing starts for 2023 lower than forecast in the spring, the fall outlook predicts stronger growth in starts for 2024 than previously (+6.5 per cent versus +3.2 per cent in the spring outlook) but at a slightly more modest level (10,187 versus 10,976 in the spring outlook). There may be upside risk to the annual housing starts forecast in 2024 should the year-end surge in activity continue.



Source: Canada Mortgage and Housing Corporation (CMHC)

Despite the influx of prospective buyers, residential homebuilders have had to navigate shifting market dynamics since the COVID-19 pandemic, initially trying to accommodate more demand for larger homes and more space in a lower interest rate environment before pivoting, over the past two years, to having to manage their own rising costs from supply chain and labour disruptions. At the same time, a combination of higher interest rates and

an erosion of consumer purchasing power has shifted housing preferences towards rentals or lower-priced homes for homebuyers. Builder cost pressures have not abated, with much higher building construction prices compared to Q1 2020 for both residential (+54 per cent) and non-residential (+27 per cent) structures as of Q3 2023.

The changing finances and composition of buyers has resulted in shifts in the composition of housing starts and new home inventory composition. With the large influx of non-permanent residents and buyers' increasingly challenged borrowing prospects, the share of row and apartment starts reached 60 per cent in 2023, the highest share on record going back to 1990. Additionally, 2023 marked the third straight year where over 80 per cent of apartment starts were purpose built for the rental market, 30 percentage points higher than any year prior to 2019 with available data. At the same time, there were 958 completed and unabsorbed single homes at the end of 2023, a new annual record, while new inventory of apartment units for ownership (101) was at a 15-year low. High inventories of newly completed singles and greater demand for lower-priced products are expected to maintain a greater share of housing starts in row and apartment units.

### *Risks to the outlook*

Edmonton's economy grew in 2023 and is forecast to continue to do so in 2024 and over the medium-term. Three key risks that could impact the outlook are provided below.

#### **1. Disruptions to population growth expectations**

Reports on quarterly population estimates and the components of population change at the provincial and national levels justified an upward adjustment in the City's fall 2023 population outlook for Edmonton and the CMA. Since that outlook was finalized, additional information was released suggesting even stronger levels of in-migration, which could lift growth even further, at least for 2023-2024 and 2024-2025. The population surge has become a topic of policy discussion, with the federal government recently announcing a cap on international student visas for two years, but maintaining a 500,000 target for permanent resident admissions in 2026. How migration trends evolve could present upside and downside risks. Typically stronger than anticipated growth brings additional consumers of goods and services, including housing, and potentially boosts the working age population. On the downside, however, if that unanticipated growth is sudden and exceptionally strong—which has been the recent experience in Edmonton, Alberta, and Canada—it could be a negative shock to the economy over the short-term, as the supply of housing and services may not have fully anticipated the scale of in-migration, translating into a sudden and strong increase in demand. Specific to housing, this could increase competition in the housing market and push prices up. The degree to which this recent population surge

continues, and/or the degree to which builders and businesses are able to accurately anticipate demand from future population growth, could lead to misalignment of business and household investment with demand pressures and a volatile path for prices.

## **2. Tighter borrowing conditions and financial strain on households**

The forecast assumes that higher interest rates will slow consumer and business spending starting in 2023 as the increased cost of borrowing starts to become more apparent in purchasing decisions. Financial conditions continued to tighten over the first half of 2023, but since mid-July the Bank of Canada has held its target policy interest rate unchanged. Many commentators and chartered banks are expecting the Bank of Canada to start cutting rates in 2024, in some views as early as the spring. However, if the national economy is more resilient than expected, the central bank may continue to increase rates or hold at current levels for an extended period of time. This could put even more financial strain on households in Edmonton, especially households already struggling in an elevated price environment. Mortgage delinquency rates in the Edmonton CMA, though, matched their lowest rate on record in Q3 2023. Conversely, insolvencies in the Edmonton CMA through Q3 2023 were almost 20 per cent higher than over the same period in 2022, and have climbed each of the last three years for the Q1 to Q3 period.

## **3. Geopolitical tensions increase supply chain disruptions**

Recent geopolitical tensions in the Red Sea adjacent to Suez Canal, and in waters around Taiwan and the Korean Peninsula, could potentially trigger the return of strained supply chains and derail the Bank of Canada's efforts to rein in inflation. There are reports of delayed shipping arrivals at Canadian ports due to attacks on vessels in the Red Sea that are forcing ships to take longer routes and driving up transportation costs.



## Information Sources by Concept

### Long-term economic outlook

- City of Edmonton, [Fall 2023 Forecast Summary Table](#).
- City of Edmonton, [Q3 2023 Economic Update](#).
- City of Edmonton, [Spring 2023 Forecast Summary Table](#).

### Demography

- Alberta Treasury Board and Finance Office of Statistics and Information, [Census Subdivision Population Estimates, July 1, 2016 to 2022, Alberta](#).
- Statistics Canada. [Table 17-10-0009-01 Population estimates, quarterly](#).
- Statistics Canada. [Table 17-10-0020-01 Estimates of the components of interprovincial migration, quarterly](#).
- Statistics Canada. [Table 17-10-0040-01 Estimates of the components of international migration, quarterly](#).
- Statistics Canada. [Table 17-10-0059-01 Estimates of the components of natural increase, quarterly](#).

### Labour and Employment

- Statistics Canada. [Table 14-10-0378-01 Labour force characteristics, three-month moving average, unadjusted for seasonality](#).
- Statistics Canada. [Table 14-10-0379-01 Employment by industry, three-month moving average, unadjusted for seasonality \(x 1,000\)](#).
- Statistics Canada. [Table 14-10-0380-01 Labour force characteristics, three-month moving average, seasonally adjusted \(x 1,000\)](#).

### Prices

- Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#).
- Statistics Canada. [Table 18-10-0205-01 New housing price index, monthly](#).
- Statistics Canada. [Table 18-10-0273-01 New condominium apartment price indexes, by census metropolitan area](#).
- Statistics Canada. [Table 18-10-0276-01 Building construction price indexes, by type of building and division](#).

### Residential construction

- Canada Mortgage and Housing Corporation Starts and Completions and Market Absorption Surveys via the [Housing Market Information Portal](#).

### Financial conditions

- [Bank of Canada](#)
- Equifax Canada via Canada Mortgage and Housing Corporation, [Mortgage and Delinquency Rate \(%\) - Canada, Provinces, and CMAs, 2012 Q4 to 2023 Q2](#).
- Office of the Superintendent of Bankruptcy, [Insolvency statistics in Canada](#).
- The Globe and Mail (January 21, 2024), [Bank of Canada expected to hold rates steady, while analysts watch for hints of coming cuts](#).

### Supply chain commentary

- Associated Press (January 27, 2024), [Attacks on ships in the Red Sea are disrupting global trade. Here's how it could affect what you buy](#).

- The Globe and Mail (January 21, 2024), [Houthi attacks on ships in Red Sea cause arrival delays at Canadian ports.](#)
- The New York Times (January 24, 2024), [Shipping Costs Soar in Wake of Red Sea Attacks.](#)